

Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00

DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04 ITC-01

TRSE-00 USIA-15 PRS-01 SP-02 FEAE-00 OMB-01 XMB-04

OPIC-06 IO-13 /117 W

-----071800Z 105485 /43

R 071522Z JAN 77

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 9343

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY GUATEMALA

AMEMBASSY KINGSTON

AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMEMBASSY PORT AU PRINCE

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

UNCLAS SANTO DOMINGO 116

E.O. 11652: N/A

TAGS: EAGR, ETRD, DR

SUBJECT: COFFEE PRICES IN THE DOMINICAN REPUBLIC

REF: A) 76 STATE 302391, B) 76 SANTO DOMINGO 0945 (NOTAL)

1. THE INTERNAL RETAIL PRICE OF COFFEE IN THE DOMINICAN REPUBLIC
IS \$1.72 PER POUND.

2. IN FEBRUARY 1976 DOMESTIC COFFEE TOASTERS OR PROCESSORS WERE
PAYING 87 CENTS PER POUND FOR GREEN COFFEE BEANS. CURRENTLY THE
ARE PAYING \$1.50 PER POUND AND ARE REQUESTING RELIEF FROM THE
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GOVERNMENT ON THE GROUNDS THAT THEY ARE LOSING MONEY. THE PRICE
PAID TO PRODUCERS IS THE SAME AS ABOVE AND IS EQUAL FOR BOTH DOMESTIC
AND EXPORT MARKETS.

3. THERE ARE NO NEW SPECIFIC GODR PROGRAMS TO RESTRICT
DIRECTLY THE EXPORTATION OF COFFEE EXCEPT FOR QUALITY CONTROLS.
IN FACT, QUITE THE OPPOSITE IS TRUE SINCE COFFEE IS SECOND ONLY

TO SUGAR AS AN EARNER OF FOREIGN EXCHANGE. (WITH THE CURRENT SLUMP IN SUGAR PRICES ON THE WORLD MARKET, COFFEE IS BECOMING AN EVEN MORE IMPORTANT EXPORT PRODUCT.)

4. AS PREVIOUSLY REPORTED (REF B), THE PRESENT TAX STRUCTURE ON EXPORTED COFFEE WAS ESTABLISHED BY A LAW OF AUGUST 26, 1975, SETTING A MINIMUM TAX OF THREE CENTS PER KILOGRAM ON GREEN COFFEE BEANS AND 2.5 CENTS PER KILOGRAM ON PROCESSED OR SEMI-PROCESSED BEANS. IN ADDITION, THERE IS A PROGRESSIVE TAX OF 20 PERCENT UPON THE PRICE OF COFFEE BETWEEN \$60 AND \$70 PER HUNDREDWEIGHT; 30 PERCENT BETWEEN \$70 AND \$80 PER HUNDREDWEIGHT; AND 40 PERCENT OVER \$80 PER HUNDREDWEIGHT. MUCH OF THIS TAX REVENUE WILL BE USED IN GOVERNMENT PROGRAMS DESIGNED TO INCREASE PRODUCTION (SEE PARA 6).

5. THERE ARE NO SPECIFIC RETENTION REQUIREMENTS EXCEPT FOR FULFILLING INTERNAL CONSUMPTION NEEDS WHICH ARE APPROXIMATELY 18,000 METRIC TONS (MT) PER YEAR. DOMESTIC CONSUMPTION GENERALLY RANGES BETWEEN A THIRD AND A HALF OF THE TOTAL PRODUCTION IN THE DOMINICAN REPUBLIC DEPENDING UPON THE YEAR. IN 1975-76 THE TOTAL CROP WAS 61,000 MT OF WHICH SOME 44,000 MT WERE EXPORTED; BUT IN 1976-77 THE CROP IS EXPECTED TO BE ONLY 46,000 MT OF WHICH ABOUT 28,000 MT WILL BE EXPORTED. THE PRESENT DECLINE IN PRODUCTION IS DUE IN PART TO THE TRADITIONAL CYCLICAL PATTERN IN THE DOMINICAN COFFEE INDUSTRY, AND IN PART OF THE FACT THAT 1975-76 WAS A RECORD YEAR THANKS PRIMARILY TO THE FIRST VISIBLE RESULTS OF THE COFFEE REHABILITATION PROGRAM STARTED IN 1969.

6. SINCE 1969 THE SECRETARIAT OF AGRICULTURE HAS IMPLEMENTED A FOUR-STAGE PROGRAM TO REHABILITATE THE DOMINICAN COFFEE INDUSTRY.
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THE AIMS OF THE PROGRAM ARE TO: (1) INTRODUCE THE LATEST TECHNOLOGICAL DEVELOPMENTS IN COFFEE CULTIATION; (2) MAKE AVAILABLE SUPERVISED CREDIT TO FARMERS WHO DID NOT MEET THE REQUIREMENTS FOR OBTAINING CREDIT FROM TRADITIONAL SOURCES; (3) INTRODUCE NEW VARIETIES OF PROVEN QUALITY IN ORDER TO INCREASE PRODUCTIVITY; AND (4) INCREASE ACREAGE UNDER CULTIVATION. TO CONTINUE THIS PROGRAM, THE GODR HAS ALLOCATED \$4.5 MILLION FOR 1977.

7. THE EMBASSY HAS SECURED A COPY OF THE SECRETARIAT OF AGRICULTURE'S STUDY OF ITS REHABILITATION PROGRAM WHICH EVALUATES IN DETAIL THE EFFECTIVENESS OF THAT PROGRAM AND GIVES RECOMMENDATIONS FOR 1976. A COPY OF THE REPORT IS BEING POUCHED TO THE DEPARTMENT (DE SANTIALLANA ON THE DOMINICAN DESK).
HURWITCH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
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Disposition Comment:
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Disposition Event:
Disposition History: n/a
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Executive Order: N/A
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